

April-June 2002 Quarter

US Department of Housing and
Urban Development
451 7th Street, S.W.
Washington, DC 20410

Quarterly Report to Congress

CDBG Funds for Recovery from and Response to the September 11, 2001 Terrorist Attacks on New York City

Grantee:
Empire State Development
Corporation

Executive Summary

Since September 11, 2001, Congress has appropriated \$3.483 billion of supplemental Community Development Block Grant (CDBG) funds for recovery from and response to the terrorist attacks on New York City. Congress requires HUD to report quarterly on the uses of these grants. This is the first report on the first grant HUD made, \$700 million to Empire State Development Corporation (ESDC), under these disaster recovery appropriations. Next quarter, HUD will begin reporting activities under way on the second grant, \$2.0 billion to the Lower Manhattan Development Corporation (LMDC).

New York State's Urban Development Corporation, doing business as the Empire State Development Corporation (ESDC), received a \$700 million disaster recovery grant February 13, 2002. At the time, this was the largest single grant in the history of the CDBG program.

ESDC carried out required citizen participation activities including publishing its draft action plan for public comment December 26, 2001. ESDC submitted the action plan to HUD January 23, 2002 and made the first drawdown from the grant's line of credit February 26. Through June 30 – the end of the first reporting period – ESDC had drawn \$202,362,279 for four of the ten grant activities.

Section 434 of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2002 (Public Law 107-73, approved November 26, 2001) provides for the use of CDBG funds made available from the Emergency Response Fund by the fifth proviso under the 2001 Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States (Public Law 107-38, approved September 18, 2001). The statute makes the funds available to New York State for properties and businesses damaged by, and economic revitalization related to, the September 11, 2001 terrorist attacks on New York City. HUD published related waivers and alternative requirements (1) approved March 8, 2002, published in the *Federal Register* March 18, 2002 at 67 FR 12042, and effective March 25, 2002, and (2) approved May 14, 2002, published in the *Federal Register* at 67 FR 36017 on May 22, 2002, and effective May 28, 2002.

ESDC is responsible for day-to-day management of grant programs. HUD is responsible for ensuring ESDC manages the grant in accordance with all program requirements. HUD program staff and the Inspector General have monitored grant activities on-site in Manhattan. The program staff's management review letter was issued July 31, 2002. Based on the management review, HUD generally found ESDC in compliance with program requirements and responsive to suggestions related to program management. The primary issue still open is related to determinations of whether duplication of benefits exists among federal programs.

This report covers the funding process, HUD management and monitoring of the grant, data and verbatim narratives from Empire State's quarterly report to HUD, and a preliminary discussion of the supplementary data provided by ESDC.

Table Of Contents

Executive Summary.....	2
Table Of Contents.....	3
HUD Management and Monitoring: Stewardship of Federal Funds.....	4
Empire State Development Corporation's Report - Overview	6
Overall Narrative of HUD Quarterly Report	7
Job Creation and Retention Grant Program (JCRP).....	10
Small Firm Attraction and Retention Grant Program (SFARG)	14
WTC Business Recovery Grant Program (BRG).....	16
WTC Business Recovery Loan Program (BRLF).....	19
Business Information Program (BIP)	20
Additional Compensation to Lower Manhattan Businesses (BRG2).....	22
Technical Assistance Services Grant Program (TA).....	23
WTC Disaster Recovery Bridge Loan Program (BRIDGE).....	24
Supplementary Data.....	25

HUD Management and Monitoring: Stewardship of Federal Funds

This is a CDBG-based grant. Under the CDBG program, day-to-day management of the grant is the responsibility of the state or local government grant recipient. HUD reviews the grantee's systems and results, but does not choose which activities or programs to assist.

Because this grant represents a substantial change to the amount of funds handled in the state CDBG program, HUD is initiating a Front-End Risk Analysis (FERA) to assess specific risk components and determine specific actions to manage risk under this grant. Even before completing the FERA, HUD is taking specific actions to manage the unique risks inherent in a grant of this magnitude and prominence. HUD Community Planning and Development (CPD) staff, including personnel with both policy and field grant management experience, are responsible for ongoing grant management. CPD management established weekly top-level program and management staff presence in New York City. HUD experts in specialty areas, such as environment and financial management, consult with CPD program staff and ESDC staff and join monitoring teams.

HUD coordinates with other federal agencies through the Federal Task Force to Rebuild New York City, which meets at least bi-weekly, and directly with specific federal agencies as issues warrant.

HUD CPD staff will conduct management reviews, also known as grant monitoring visits, at least twice yearly. The first management review of ESDC was in May. The review team covered

- Fundability
- Financial management and procurement
- Environment
- Analysis of impediments and the fair housing plan
- Limited civil rights reviews
- Subrecipient management
- Relocation and acquisition
- Disaster Recovery Grant Reporting system, and
- Overall management

The management review letter and report were issued July 31, 2002. Based on the review, HUD found ESDC generally in compliance with program requirements and noted ESDC's receptiveness to suggestions related to improving program management.

The statute stipulates that the Inspector General must review the grant every six months. Their first report was issued May 22, 2002. The primary issue still open related to this report is whether duplication of benefits exists among federal programs. HUD is reviewing this issue with ESDC and SBA.

In accordance with established procedures for disaster recovery grant reporting, ESDC is providing its quarterly reports to HUD via the Disaster Grant Recovery Reporting (DRGR) online reporting system. The Lower Manhattan Development Corporation (LMDC) also received CDBG funding for disaster recovery and economic revitalization activities and will submit its first quarterly report to HUD at the end of October 2002. At the time Congress appropriated the funds received by ESDC, HUD was just about to begin testing a major upgrade of the DRGR system. ESDC agreed to be one of the "live beta-testers" for the new version of DRGR, and HUD is continuing to upgrade the system to better serve the management information needs of all its disaster recovery grant recipients, including ESDC and LMDC.

ESDC has also agreed to provide supplementary data from its own grant management information systems to program staff and to the Inspector General. Following ESDC's report below is a preliminary HUD discussion of some of the supplementary data.

Empire State Development Corporation's Report - Overview

The text that follows is, verbatim, the text ESDC submitted to HUD via the July 2002 DRGR quarterly report for activities other than planning and administration. The report covers grant activities up to June 30.

The original action plan budgeted \$25 million for infrastructure planning activities to be carried out by Lower Manhattan Development Corporation (LMDC). Subsequent to June 30 (the end date for the quarter this report covers), ESDC amended its action plan to reallocate these funds to the Small Firm Attraction and Retention Grant program. ESDC reported administrative expenditures of \$2,134,909 during the report period.

The *Accomplishment Measures* tables show data submitted in DRGR at the same time. Accomplishments data are only shown in the tables if ESDC has already expended HUD grant funds for the activity. The use of the term "wage-earner" is explained in the Supplementary Data narrative at the end of this report.

The ESDC narratives that follow are:

- Overall Narrative of HUD Quarterly Report
- Job Creation and Retention Grant Program (JCRP)
- Small Firm Attraction and Retention Grant Program (SFARG)
- WTC Business Recovery Grant Program (BRG)
- WTC Business Recovery Loan Program (BRLF)
- Business Information Program (BIP)
- Additional Compensation to Lower Manhattan Businesses (BRG2)
- Technical Assistance Services Grant Program (TA)
- WTC Disaster Recovery Bridge Loan Program (BRIDGE)

Overall Narrative of HUD Quarterly Report

Funds	
Total Projected Budget	\$700,000,000
Total HUD Disaster Recovery Funds	\$700,000,000
Obligated HUD Disaster Funds to June 30	\$242,233,054
Unobligated HUD Disaster Funds to June 30	\$457,766,946
Cumulative HUD Disaster Funds Expended to June 30	\$202,362,278

The September 11 terrorist attacks on the World Trade Center were unlike any other disaster in the history of this country. The tragedy of these events has left deep and lasting emotional scars on the people of New York and the rest of the country. The suddenness and intent of the attacks and the complete devastation of a large core area of New York City's financial district were unprecedented in terms of loss of life and property. The challenges presented to the economic development agencies of New York State and New York City were equally unprecedented. The need to respond with an immediate and effective strategy for disaster recovery and economic revitalization was critical and required resources far greater than the internal capacities available to New York State and City at that time. In response, Congress enacted legislation appropriating a total of \$2.7 billion to New York State through the Department of Housing and Urban Development to begin the process of economic recovery and revitalization.

The use of funds from the initial appropriation of \$700 million is described in the *Final Action Plan*. The Action Plan was adopted January 30, 2002 after extensive outreach was made to invite public comment. Nine programs were defined in response to a variety of needs faced by small businesses, not-for-profit organizations, and large businesses. As of June 30, 2002, seven programs have been implemented. By providing much-needed disaster recovery assistance to the businesses of Lower Manhattan, these programs help to retain existing businesses and attract new businesses to the area. These efforts seek to stabilize and secure the economic base on which recovery and revitalization can occur.

Progress toward this goal can be measured in a number of ways. Two key measures are the number of businesses assisted by the recovery programs and the number of persons employed by those businesses. It should be pointed out that it was initially very difficult to estimate the number of affected businesses and economic loss resulting from the events of September 11. There was little reliable information on uncompensated economic loss on which to base a benchmark estimate of the number of affected businesses and related employment. Experience over this reporting period also suggests that some proportion of the initial estimate of economic loss may have been overstated. Some businesses located beyond the immediate impact areas may have been able to resume business activity relatively soon after access to the area was restored. For this reason, the initial estimates of impact in the *Action Plan* may be overstated and, therefore, progress toward these goals for activities in this reporting period may be understated.

As of June 30, the WTC Business Recovery Grant Program (BRG) awarded almost 6,200 grants, which represents over 30% of estimated demand for program assistance. BRG-assisted businesses employ approximately 70,000 people, or nearly 32% of the estimated total employment at eligible businesses. While progress has been made, based on Action Plan estimated need, there is still a large pool of potentially eligible small businesses that have not applied for assistance. Because of the wide publicity concerning the availability of assistance (described below), and the factors noted above that may have contributed to an initial overestimate of the number of area businesses with significant economic losses, we believe that most businesses with significant economic losses may have already applied for assistance through the program. Although we anticipate a number of continuing

applications, it may be unlikely that the number of firms participating in the program will ultimately reach initial estimates.

The modest progress demonstrated by the Small Firm Attraction and Retention Grant Program (SFARG) demonstrates the difficulty small businesses face in planning strategically in this recovery period and the uncertainties they confront in making commitments to remain in Lower Manhattan or elsewhere in New York City in their location decisions. The low volume of grants disbursed through the SFARG Program also reflects the nature of the program itself. The expected flow of these grants should follow the normal time periods over which leases would come up for renewal. It was never anticipated that this program would generate a high volume of activity in this initial period.

Since June 30, 2002, an amended Action Plan was approved and adopted following a 15-day public comment period. The expanded SFARG Program extends eligibility to include small businesses with fewer than 10 employees. Since many of the potential beneficiaries of this program are sole proprietors and very small businesses, this modification creates greater program flexibility and allows the program to reach out to a significant number of small businesses in Lower Manhattan.

By contrast, the WTC Disaster Recovery Bridge Loan Program has assisted businesses employing over 5,000 people, far exceeding the *Action Plan* estimate of 1,500 jobs at businesses receiving loans through the program.

The WTC Job Creation and Retention Grant Program has made significant progress in meeting its goals. As of June 30, based on the number of accepted offers, the program has contributed to the commitment to retain about 40% of the estimated 80,000 jobs at targeted businesses. This number is expected to increase substantially as pending decisions are made on offers outstanding.

Contracts with selected service providers under the Technical Assistance Services Grant Program (TA) are being drawn and selection of participating lenders for the World Trade Center Business Recovery Loan Program (BRLF) is nearing completion. With the implementation of the TA Program and the BRLF Program expected in August 2002, disaster recovery assistance will extend to an even greater number of small businesses who demonstrate the need for more flexible, low-cost financing and for non-financial technical assistance.

For those programs classified as economic development or recovery activities that create or retain jobs, progress will also be measured by the quality of jobs and diversity of the job holders at assisted businesses. Information is collected on program application forms indicating the number of low and moderate-income wage earners on the payroll at assisted firms. (Salary band information is also collected from applicants in the programs categorized as payment for compensation for economic loss.) For the small business assistance programs, low- and moderate-income persons are the greatest share of total employment at assisted businesses.

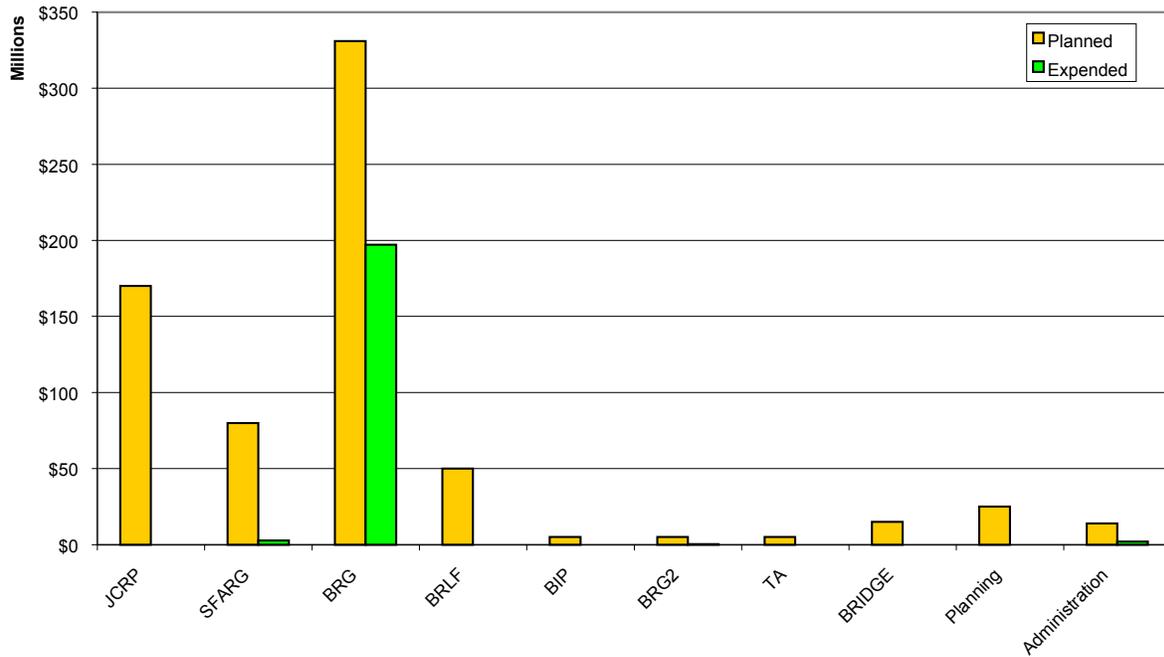
Information is also collected regarding race, ethnicity, gender, and disability of current employment and ownership. Applicants are asked to provide the overall number of persons in each of the following categories: American Indian or Alaskan Native, Asian, Black or African American, Native Hawaiian or Other Pacific Islander, White, and Other. In addition, they are asked to provide the number of males and the number of females who are Hispanic or Latino and those who are not Hispanic or Latino. They must also estimate the number of employees and owners who have a physical or mental disability.

The extent to which program goals are achieved rests on two other key elements: distribution of information on disaster recovery assistance and cooperation among economic development agencies on program implementation. The Business Information Program (BIP) has developed important multi-media vehicles for advertising the disaster recovery programs. Empire State Development Corporation (ESDC) and the NYC Economic Development Corporation (EDC) have created two web sites and toll-free phone lines for this purpose. Program information and applications are also distributed through the two Business Recovery Centers operated by ESDC and EDC. As of

June 30, the number of web hits, call center calls, and visits to the Business Recovery Centers have totaled over 93,000. In addition, print ads have appeared in the four major metropolitan newspapers and a number of community-based and foreign language papers, with millions in total readership. In addition, BIP has conducted a direct mailing campaign providing program information to almost 29,000 small businesses in Lower Manhattan. It is likely that such a broad effort has reached a large proportion of the over 100,000 businesses in New York City. A WTC Business Recovery Marketing Plan has been developed to coordinate program marketing and outreach efforts and to expand the campaign to inform businesses that disaster recovery resources are available.

HUD Disaster Recovery Grant Funds Planned & Expended by Activity

data from ESDC report as of June 30, 2002



Job Creation and Retention Grant Program (JCRP)

Funds	
Total Projected Budget	\$170,000,000
Total HUD Recovery Funds	\$170,000,000
Obligated HUD Recovery Funds to June 30	\$33,945,000
Unobligated HUD Recovery Funds to June 30	\$136,055,000
Cumulative HUD Recovery Funds Expended to June 30	\$0

Accomplishment Measures	Expected	Cumulative to Date
# of Businesses	200	0
# of Persons Benefiting	80,000	0

The Job Creation and Retention Grant Program (JCRP) targets businesses in the area of Lower Manhattan south of Canal Street with over 200 full-time employees that require assistance in maintaining, establishing or resuming a presence in Lower Manhattan or elsewhere in New York City. Among these businesses are some of the world's largest financial services, business services, legal and professional services, and communications companies representing some of the largest employers in New York City.

In the aftermath of the September 11 attacks, many of the companies located in and around Ground Zero were forced to relocate their operations at least on a temporary basis. Others faced the need to reassess their operations to consider longer-term issues of security and strategic planning. New York City and New York State confront the real threat of losing many of the key players that anchor the world's greatest concentration of financial and commercial activity in Lower Manhattan.

The JCRP offers discretionary incentives to eligible key businesses to secure their commitment to help restore Lower Manhattan by their presence and, thereby revitalize the City's economy. A Review Committee comprised of Empire State Development Corporation (ESDC) and NYC Economic Development Corporation (EDC) senior staff considers the recommendations made by project directors from the City and the State. Upon a favorable review, the Review Committee authorizes a level of financial assistance to offer an eligible company, based on a number of criteria. These include risk potential; economic, fiscal, and strategic impacts; proximity to the World Trade Center site; number of jobs committed to being retained and created and the degree to which a company is an early-mover in making the commitment. On accepting an offer, the company completes an application for assistance, the project is submitted to the ESDC Board of Directors for approval, a Grant Disbursement Agreement is executed, and the financial assistance is disbursed. The JCRP Program requires that employment at assisted firms be tracked for a minimum of 7 years, with the actual term determined on a case-by-case basis. For offers made to companies as of June 30, 2002, the average period for tracking employment is 9.2 years.

As of June 30, 2002, ESDC and EDC staff had contacted over 220 companies of which 136 were potentially eligible to apply for assistance. The estimated New York City employment at these potential applicant companies was 214,902, with about two-thirds of these jobs downtown. Of these 136 companies, 91 were authorized by the Review Committee to be offered assistance. There were 34 accepted offers, 49 offers were pending company decision, and 8 offers were rejected by companies or otherwise not awarded. The value of total grants accepted was \$108,178,000, reflecting a commitment to retain and/or create a total of 33,743 jobs, of which 31,867 were located downtown. The average size grant accepted was approximately \$3.2 million and the median was \$1.5 million. The average grant per job for accepted offers was \$3,206.

As of June 30, ESDC Directors had approved 6 applications for JCRP grants for a total value of \$33,945,000. These companies committed to retain and/or create 2,472 jobs in Lower Manhattan. Of this total, 1,344 employees were low- and moderate-income earners, and 457 of these were low-income earners. (Low income is defined as below \$31,400 per year and moderate income is defined as between \$31,401 to \$50,250 per year.) As of June 30, none of these grants had been disbursed, pending completion of Grant Disbursement Agreements between the companies and ESDC.

The 49 offers pending company decision as of June 30 had a total value of \$269,051,825, reflecting a potential 121,667 additional retained and/or created New York City jobs, with 70,194 of these jobs located downtown.

The Job Creation and Retention Program has made substantial progress toward meeting its program goals. The 34 accepted grant offers made as of June 30 will contribute to the retention of about 40% of the estimated 80,000 jobs in companies to be assisted by the program. If the 49 pending offers are accepted, JCRP will help to retain or create over 100,000 jobs in Lower Manhattan. The \$700 million initial federal appropriation allocated \$170 million to JCRP. The accepted offers as of June 30, totaling over \$108 million, are nearly two-thirds of the initial program funding. The Final Action Plan anticipated a total program cost of \$400 million, which is exceeded by the total for the 91 authorized grants in the first 5 months of the program. Additional allocations will be necessary to support the commitments going forward. If these additional allocations result in substantial changes to the allocation in the Final Action Plan, then, of course, an amendment to the Action Plan would be submitted for public comment and approval by HUD.

New York State and City faced serious challenges in implementing the Job Creation and Retention Program. In the period following the WTC attacks, there was considerable hesitancy on the part of larger firms to consider assistance through JCRP. Many firms were still evaluating losses and assessing strategic needs and were, therefore, reluctant or uncertain in making such a commitment. ESDC and EDC staff undertook an aggressive and comprehensive outreach to these firms to assist, where possible, in the assessment and planning process. JCRP grant offers, coupled with other forms of assistance from New York State and City (site selection, tax abatements, relocation assistance), contributed in many instances to the company's decision to remain, to relocate, or to consolidate operations downtown or elsewhere within New York City.

ESDC and EDC also recognized that the substantial commitments made through JCRP awards to beneficiary companies required an equally firm commitment from them to live up to their agreements with New York State and New York City. To secure this commitment, ESDC may impose substantial penalties up to 200% of the value of grants received if companies leave New York City or otherwise fail to live up to the terms and conditions of these agreements.

Three examples may offer insight into how assistance provided by the Job Creation and Retention Program made a difference in the decision of these firms to stay in Lower Manhattan and elsewhere in New York City and, thereby, contribute to the recovery of this vital commercial center:

The Bank of New York. The Bank of New York ("BoNY") is one of the largest (and oldest) banks in New York State and is the primary clearing house for most of the Government securities trades for the U.S. banking industry, facilitating more than 50% of such trades in the U.S.

Prior to September 11th, BoNY employed approximately 8,000 people at five major Lower Manhattan facilities. These facilities were damaged and/or rendered inaccessible as a result of the attacks and BoNY was forced to temporarily relocate its staff to 18 different sites in the metropolitan area, including facilities both in New York and New Jersey.

After an extensive clean up, BoNY held a grand re-opening of 101 Barclay Street (its primary operations and technology center) on July 11th and has now returned to four out of five of its downtown facilities. However, due to its critical clearinghouse role, federal regulators have informed BoNY that it

must geographically disperse on a permanent basis, moving some component of its workforce out of Lower Manhattan.

After evaluating numerous sites in the New York City Outer Boroughs and in New Jersey, BoNY has decided to place some of its operations at a new commercial building to be developed at Atlantic Terminal in Brooklyn. The majority of the bank's staff will remain in Lower Manhattan with a small component in Midtown Manhattan. The decision was influenced by the assistance provided by New York State and City, including the availability of federal funding.

BoNY has also asked the City and State to find a government subtenant for a portion of its space at 100 Church Street in Lower Manhattan, which will be vacated as part of the overall dispersion plan. We believe that a subtenant can be found and are working towards that goal in concert with the State Office of General Services.

BoNY faced significant obstacles in its search for a permanent location after September 11. Due to the availability of federal funds and technical assistance offered by New York State and city, the bank was able to reoccupy its facilities in lower Manhattan, its historic home, with the majority of its staff.

Media Planning Group. Media Planning Group ("MPG"), the media services division of Havas Advertising, provides a full range of media planning, market research and procurement activities for Havas clients. MPG has annual media expenditures that exceed \$3 billion, making it the 10th largest media specialist in the U.S. The firm has branch offices throughout the U.S. while its North American headquarters is in Midtown Manhattan.

Prior to September 11, 2001, MPG had 228 employees in New York, with 140 at its North American headquarters in 33,000 square feet. The remainder of the staff was based in three "satellite" locations south of 16th Street, but north of Canal Street, including 345 and 359 Hudson Street where Messner Vettere (a sister company) has an office; and at 110 Fifth Avenue, in the offices of Arnold McGrath Worldwide (another sister company). Currently, MPG has approximately 206 employees; the reduction in headcount of 22 jobs was due to consolidation of New York operations and not the terrorist attacks.

MPG had decided to either consolidate in Midtown or Lower Manhattan or to maintain a small presence in Midtown, and relocate the balance of operations to a lower-cost venue outside New York City within the NY metropolitan area. The World Trade Center JCRP grant offer made consolidation in Lower Manhattan the viable option. The grant offer of \$875,000 was awarded for the consolidation of MPG's staff of 206 at 195 Broadway (a sublease of 72,000 square feet) and the growth of an additional 44 employees (total 250 employees) within three years. MPG forecasts employment growth because of increased activity based on the consolidation of media planning activities of Havas affiliates (Messner Vettere; Arnold McGrath Worldwide) and growth in the U.S. market.

Relocation to Lower Manhattan by MPG will enhance the area's status as an alternative center for advertising, media and communications companies. Ancillary economic benefits may accrue because MPG's presence attracts clients and media outlet representatives from throughout the region and world.

The Bank of Nova Scotia. The Bank of Nova Scotia (also known as ScotiaBank) is Canada's most international bank. The Bank has operated in New York City for well over 100 years and is one of North America's premier financial institutions. Headquartered in Toronto, Canada, The Bank of Nova Scotia offers retail, commercial, corporate, investment and international banking services worldwide through its 51,000 employees at offices in 50 countries.

Through Scotia Capital (USA) Inc., Scotia International and other related companies primarily at One Liberty Plaza in Lower Manhattan, the Bank of Nova Scotia provides corporate, investment banking and capital markets services to large national and multinational corporations. Prior to

September 11, the Bank's Lower Manhattan operations included 408 employees at One Liberty Plaza (directly facing and across the street from the World Trade Center). Ten additional employees were located elsewhere downtown. The attack caused extensive damage to One Liberty Plaza's façade and interior, making the building uninhabitable. On the day of the attack, it was mistakenly reported that the building had collapsed.

On top of the attack's impact on the entire financial services industry, The Bank of Nova Scotia experienced severe economic impact as a result of being dislocated from its US Headquarters at One Liberty Plaza. Half of the Bank's New York City employees were temporarily relocated to three locations south of Canal Street and half were relocated to two midtown locations. As witnesses to the attack, the Bank and its employees faced serious psychological, logistical and related problems associated with staying downtown.

Among dislocated companies, The Bank of Nova Scotia was an "early mover" by agreeing early on in the implementation of the Job Creation & Retention Program to make a commitment to permanently return all of its employees downtown. Through the incentives offered to the Bank under JCRP, the Bank of Nova Scotia made a commitment to both retain its downtown workforce of 418 employees for ten years and to create up to 167 new jobs within three years. The Bank's decision to accept the JCRP grant offer, publicly announced on April 26, 2002, had the positive effect of helping to persuade other downtown firms to make the commitment to retain and grow their workforce downtown.

By the end of March, the Bank had already returned over 100 workers back downtown and now is back to full employment and operations at One Liberty Plaza. The Bank marked its complete return to One Liberty Plaza with an April 4th celebration at the building with both its New York City staff and senior executives from its Toronto headquarters.

Small Firm Attraction and Retention Grant Program (SFARG)

Funds	
Total Projected Budget	\$80,000,000
Total HUD Recovery Funds	\$80,000,000
Obligated HUD Recovery Funds to June 30	\$2,737,000
Unobligated HUD Recovery Funds to June 30	\$77,263,000
Cumulative HUD Recovery Funds Expended to June 30	\$2,737,000

Accomplishment Measures	Expected	Cumulative to Date
# of Low/Mod Wage Earners & Proprietors	NA	574
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	NA	298
# of Businesses	200	27
# of Persons Benefiting	80,000	883

As of June 30, 2002, the Small Firm Attraction and Retention Grant Program (SFARG) had assisted 27 businesses in Lower Manhattan, providing 27 grants totaling \$1,778,750 in program funds disbursed. The average grant size for this program for the period was \$65,880, with the median for grants disbursed at \$49,000. The total value of grants disbursed for the period represents about 2% of the \$80 million initially allocated to the SFARG Program. Out of 140 applications received, only 27 were determined to be ineligible, in most instances, due to ineligible lease expiration date or lease execution date.

Total direct employment at establishments of SFARG-assisted businesses was 883, with an average number of 33 employees per grant recipient. Sixty-five percent of total employment at assisted establishments (or 574 wage earners and proprietors) were low- and moderate-income earners (defined as annual income up to \$50,250). Low-income earners (defined as less than \$31,400 per annum) reflected nearly 34% of total employment (or 298 wage earners and proprietors).

Despite efforts on the part of the Empire State Development Corporation and the New York City Economic Development Corporation to make the SFARG Program available to eligible small businesses, the volume of applications for assistance during the reporting period remained low.

The *Final Action Plan* limited program eligibility to businesses with no fewer than 10 and no more than 200 employees. In May 2002, programmatic changes were recommended to extend eligibility to businesses with fewer than 10 employees. Extending the SFARG program to businesses with fewer than 10 employees creates the potential for assisting approximately 7,000 additional small businesses located in the area south of Canal Street. The Amended Action Plan, submitted for public comment in June 2002, will support the anticipated additional demand for assistance from the expanded SFARG Program by reallocating \$25 million from the Lower Manhattan Development Corporation to the SFARG Program.

Both in letters to ESDC and EDC and in comments expressed to staff members at the two downtown Business Recovery Centers, SFARG grant recipients have indicated how significant the program assistance was for their recovery efforts and their decision to remain in Lower Manhattan. For example,

- Southwest NY, a restaurant located in the World Financial Center, was closed by the September 11 attacks. Over 80 people lost their jobs. After reopening in February, and with the reopening of

its 300-seat riverfront outdoor cafe in April, the restaurant was again able to employ over 80 men and women. With the help of the first disbursement of a SFARG grant of over \$200,000, Southwest NY will be able retain these workers. Southwest NY also received a BRG grant.

- St. John's University is a not-for-profit educational institution that employs 42 people at a facility at 101 Murray Street. They received a SFARG grant of \$105,000 that will help them to remain in Lower Manhattan.

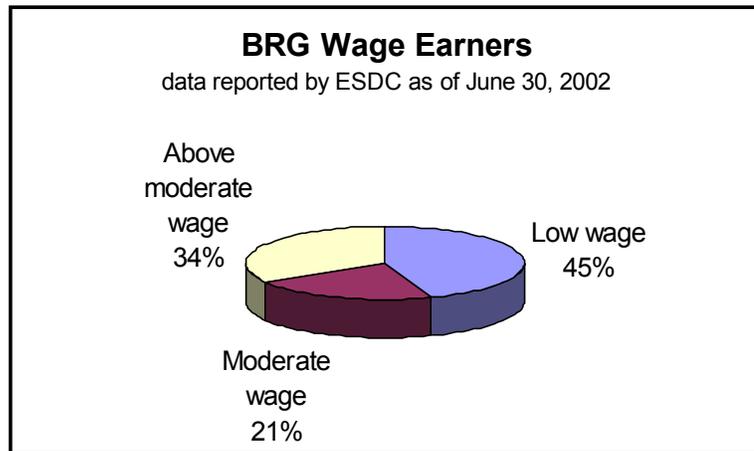
WTC Business Recovery Grant Program (BRG)

Funds	
Total Projected Budget	\$331,000,000
Total HUD Recovery Funds	\$331,000,000
Obligated HUD Recovery Funds to June 30	\$197,123,214
Unobligated HUD Recovery Funds to June 30	\$133,876,786
Cumulative HUD Recovery Funds Expended to June 30	\$197,123,214

Accomplishment Measures	Expected	Cumulative to Date
# of Low/Mod Wage Earners & Proprietors	NA	46,390
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	NA	31,163
# Wage Earners/Proprietors	NA	~70,000
# of Businesses	19,600	6843
# of non-business organizations	NA	192

As of June 30, 2002, the WTC Business Recovery Grant Program (BRG) had assisted 6,843 small businesses in lower Manhattan, disbursing 6,917 grants totaling \$193,601,847. The average grant size for this program for the period was \$27,989, with the median for grants disbursed at \$9,152. The total value of grants disbursed for the period represents nearly 60% of the \$331 million allocated to the BRG Program. Out of 8,199 applications received, only 409 were determined to be ineligible for a variety of reasons, such as the business not suffering a net economic loss or the business was not located in the eligible area.

Total direct employment at the establishments of BRG-assisted businesses in the eligible area during this period was approximately 70,000, with an average number of 10 employees per grant recipient. The average value of BRG grant disbursed was nearly \$2,766 per direct job at assisted businesses. Sixty-six percent of total employment at assisted establishments (or 46,390 wage earners and proprietors) were low- and moderate-income earners (defined as annual income up to \$50,250). Low-income earners (defined as less than \$31,400 per annum) reflected 45% of total employment (or 31,163 wage earners and proprietors).



If performance measures are viewed by sub-areas within the eligible area, the BRG Program clearly shows that most of the grants disbursed went to small businesses in the Restricted Zone and the area surrounding it south of Canal Street. These two areas are closest to Ground Zero where businesses suffered the greatest physical damage. A total of 5,008 grants, or 72% of all BRG grants for the period, was disbursed to businesses in these two areas, with a value of \$164.72 million (or 85%) of the total funds disbursed. Total employment at the establishments of BRG-assisted businesses in the Restricted Zone and South of Canal Areas was 48,438 (or 69%) of the program total. Of these, 29,898 (or 62%) were low- and moderate- income earners, while 19,249 (or 40%) were low-income earners.

Prior to the roll out of the BRG Program in January 2002, New York State and City implemented two disaster recovery grant programs in November 2001 to provide assistance in the critical early months following the WTC attacks. The WTC Disaster Retail Recovery Grant Program (RRG) and the Lower Manhattan Business Recovery Grant Program (LMBR) were funded by New York State and New York City, respectively, were replaced by the BRG and Small Firm Attraction and Retention Grant Programs (SFARG).

The WTC Disaster Retail Recovery Grant Program administered by the Empire State Development Corporation (ESDC), provided grants to eligible retail and personal services businesses with fewer than 500 employees south of Houston Street to compensate for economic losses equal to an estimated three days of annual gross business revenues, up to a maximum grant of \$10,000. As of June 30, 2002, a total of 3,048 grants were approved and \$13,673,728 in disaster recovery assistance was disbursed. Many of the businesses receiving grants through the RRG Program were also eligible for additional assistance through the BRG and Small Firm Attraction and Retention Grant Program (SFARG).

The Lower Manhattan Business Recovery Grant Program, administered by the NYC Economic Development Corporation (EDC), provided grants to eligible professional services, manufacturing, distribution, and other non-retail businesses with 50 or fewer employees south of Houston Street for a maximum grant of \$10,000. Businesses located within the WTC buildings did not have to apply for US Small Business Administration (SBA) loans to be eligible for LMBR assistance. Applicant businesses outside of the destroyed WTC complex but south of Houston Street were required to apply for an SBA loan or for a WTC Disaster Recovery Bridge Loan from a participating lender to be eligible for assistance. As of June 30, the LMBR Program provided 1,671 grants with a total of \$9,751,173 disbursed.

The Business Recovery Grant Program has made significant progress toward its goals for disaster recovery in Downtown Manhattan. Over 40% of the approximately 20,000 small businesses south of 14th Street applied for assistance through the program with about 36% of these receiving BRG grants.

The BRG Program has also made great progress toward the retention of the estimated 225,000 jobs in the eligible area stated in the *Final Action Plan*. The income earners at BRG-assisted businesses in this period represent nearly one-third of the estimated total employment at risk.

For many businesses in Lower Manhattan, activity in the area is returning slowly and the burden of economic loss sustained in the initial period following the attacks still weighs heavily even ten months later. Program grants used to compensate businesses for economic loss have helped recipients to re-start or maintain business operations downtown and to retain employment in the area. The beneficiaries of program assistance represent a broad spectrum of businesses in the downtown community. The Business Recovery Grant Program responded to many different needs and contributed significantly to the success of many recovery efforts of both large and small for-profit businesses and not-for-profit organizations.

Statements in letters to ESDC and EDC, as well as comments expressed to staff members at the two downtown Business Recovery Centers told of how important BRG Program assistance was for their recovery efforts:

- Capital IQ is a technology solution provider and employs 92 people. The business, located on Cortlandt Street in the Restricted Zone, received a BRG grant of \$300,000. CEO Neal Goldman said that the BRG grant helped to reduce the burden of operating expenses and allowed the business to focus on reviving production. The company is also applying for a Small Firm Attraction and Retention Grant.
- Giovanni's Atrium, an Italian restaurant on Washington Street in the Restricted Zone, employs 10 people and received grant assistance totaling \$79,137 from the Business Recovery Grant Program and the WTC Disaster Recovery Retail Grant Program. The company also received a grant of \$25,000 from the SFARG Program. Susan Natalucci, President of the company, said that these grants "kept us going and we were able to celebrate our 29th anniversary."
- Modeworks, maker of murals, finishes and displays, is located on Leonard Street in the South of Canal area and employs 24 people. This business received a BRG grant of \$33,139. Vice-President Fay Zinger said that the much needed grant went directly to payroll to reimburse patient employees who had deferred their income from the period just after the September 11 attacks until the company was back on its feet.
- The Grant Gallery and JT Grant, Inc., art sellers at two locations on Mercer and Broome Streets in the 14th St.-Houston and Houston-Canal areas, employ 5 people and received BRG grants of \$5,137 and \$8,243, respectively. The grants allowed the business to recover by running ads to announce that art galleries in the Tribeca neighborhood were still open for business. The volume of business has significantly improved as a result. Director Tatiana Grant attributes much of the success to the BRG assistance they received.
- The Partnership for After School Education, a not-for-profit organization on Broadway in the Restricted Zone, employs 25 people and received a BRG grant of \$120,437. Executive Director Janet Kelley said that the "funds will certainly help with the financial burdens...and will enable us to continue helping young people develop and grow through this turbulent time."

Early on in the Program, ESDC and EDC staff realized the importance of providing as painless an application process as possible. Forms and documentation required were simplified and staff provided considerable assistance to businesses in completing the application forms, thereby minimizing problems in processing and the time to disbursement. This capacity was greatly enhanced by the use of temporary personnel to assist in application review and processing. On average, the time between receipt of a completed application to disbursement of the grant has been 40 calendar days, within the stated goal of 6 weeks (or 30 business days). Soon after the BRG program was rolled out, HUD required ESDC to modify the program's application, rendering all applications received as of that date incomplete. For the group received prior to that day (February 8, 2002), the average length of time until disbursement was significantly higher than the overall average. In contrast, for applications received since April 1, 2002, the average length of time to process is just 26 calendar days, or 20 business days, well under the stated goal.

ESDC and EDC have developed coordinated administrative processes and record keeping that serve to minimize the risk of fraud and provide ways to facilitate applicant contact, tracking milestones, and reporting. Extensive detail on each application and grant disbursement is maintained by ESDC in a central database that has proved to be an invaluable tool for program administration, not only for the BRG Program but for the other grant programs as well. For instance, when additional information on economic loss was required by HUD after the BRG Program had been in operation, contact information on several thousand applicants entered into the database allowed ESDC to obtain the necessary information quickly from all applicants in order to speed completion of the processing and disbursement of grants.

WTC Business Recovery Loan Program (BRLF)

Funds	
Total Projected Budget	\$50,000,000
Total HUD Recovery Funds	\$50,000,000
Obligated HUD Recovery Funds to June 30	\$0
Unobligated HUD Recovery Funds to June 30	\$50,000,000
Cumulative HUD Recovery Funds Expended to June 30	\$0

Accomplishment Measures	Expected	Cumulative to Date
# of Persons Benefiting	15,000	0

On May 6, 2002, a Request for Proposals was published in the *New York State Contract Reporter* for the World Trade Center Business Recovery Loan Program (BRLF) with a deadline of July 20, 2002 for submission of proposals. A total of 11 proposals were received from Community Development Financial Institutions and other community-based organizations estimating small business demand for financing in New York City to be approximately \$96 million. The proposals are currently under review by a committee comprised of four Empire State Development Corporation staff members. The Review Committee, in consultation with the NYC Economic Development Corporation, will select participating lenders and recommend levels of funding to be allocated to each, based on estimated loan demand, organizational capacity, and the experience of the lenders. The BRLF Program will encourage, where possible, the formation of lending consortia to maximize access by small businesses to low-cost working capital loans, to coordinate lending to minimize overlaps of program service areas or business industries served, and to build capacity among participating lenders by sharing resources and expertise.

It is anticipated that lending under the BRLF Program will begin in August 2002.

Business Information Program (BIP)

Funds	
Total Projected Budget	\$5,000,000
Total HUD Recovery Funds	\$5,000,000
Obligated HUD Recovery Funds to June 30	\$0
Unobligated HUD Recovery Funds to June 30	\$5,000,000
Cumulative HUD Recovery Funds Expended to June 30	\$0

Accomplishment Measures	Expected	Cumulative to Date
# of Businesses	100,000	0

The early efforts of the Business Information Program (BIP) focused on providing information on emergency disaster relief and government resources in the immediate aftermath of the WTC attacks. BIP activities also included posting legal notices in major newspapers in the New York metropolitan area announcing the *Final Action Plan* and calls for public comment on the intended use of funds from the initial federal appropriation.

A WTC Business Recovery Marketing Plan (“the Plan”) has been designed to provide a strategy for effective marketing and outreach efforts. The Plan has budgeted an initial \$2 million of the \$5 million allocation to promote awareness of disaster recovery programs. This amount is designated for marketing from the initial federal appropriation of \$700 million. The Plan promotes outreach to the broadest number of eligible businesses by using a variety of media. The Plan has focused efforts on promoting the WTC Business Recovery Grant Program (BRG) and the Small Firm Attraction and Retention Grant Program (SFARG). The Plan, to be used by the Empire State Development Corporation (ESDC) and the NYC Economic Development Corporation (EDC), adopts a multi-media and multi-lingual approach. Elements of the strategy include the following distribution vehicles:

- Web Sites-- Two web sites have been created by ESDC and EDC to provide information on disaster recovery programs, including program guidelines, application forms, Q&As, maps of designated areas, and other informational materials. Web site addresses are www.nylovesmallbiz.com (ESDC) and www.newyorkbiz.com (EDC). As of June 30, 2002, there were approximately 142,673 web hits accessing the *Action Plan* and recovery assistance and program information. Over 41,600 applications were downloaded for the BRG and SFARG Programs from the ESDC and EDC web sites.
- Toll-Free Telephone Numbers-- Two toll-free telephone lines were set up immediately after the WTC attacks to help business owners and individuals find the resources needed to begin to recover from the disaster. The ESDC toll-free number is 1 (800) I LOVE NY and the EDC number is 1 (866) 227-0458. Callers are provided program information and logged into a central WTC Business Recovery Database to provide staff with caller contact information so that staff and case managers may follow up with additional and on-going assistance. As of June 30, 2002, approximately 53,000 calls were received at the two Call Center numbers.
- WTC Business Recovery Centers—ESDC and EDC operate two separate walk-in centers located at 2 Rector Street and 140 William Street, respectively, to provide direct contact between businesses seeking assistance and program representatives. The two Business Recovery Centers are open Monday through Friday from 9 a.m. to 5 p.m., except Wednesday from 9 a.m. to 8 p.m. Small business owners may obtain applications and program information about the BRG and

SFARG Programs, as well as other disaster recovery resource information. Applicants may also receive assistance in completing applications. Staff members at the Centers are fluent in Chinese, Spanish, French, German, Italian and Korean. As of June 30, 2002, there have been nearly 15,900 visits to the walk-in centers.

- Print Advertising—WTC disaster recovery program information ads appear in the major NYC metropolitan area newspapers (New York Times, Daily News, New York Post, LI Newsday, World Journal-Chinese, and Hoy-Spanish) as well as several community newspapers. Extensive advertising efforts were undertaken prior to June 30, 2002, with intensified activities planned for the period July 15 through September 2, 2002, with 91 insertions in 10 publications during the period.
- Radio Ads—During this reporting period, orders were placed for a 60-second radio spot with voice over. Over 700 air times on five major New York City AM stations (WABC, WCBS, WFAN, WINS, and WOR) were purchased for the radio spot to run through the beginning of the next reporting period (July 15-September 2, 2002).
- Direct Mail Postcards, Flyers and Posters—Postcards advertising the availability of disaster recovery grants through the BRG and SFARG programs were mailed to 28,894 small businesses south of 14th Street with an additional 11,000 postcards to be mailed at a later date or distributed at the WTC Business Recovery Centers in Lower Manhattan. In addition, 30,000 copies of a flyer and 2,500 copies of a poster were printed with information on BRG and SFARG for distribution by hand in a “walk-around” campaign and for placement in high-visibility locations such as banks, Post Offices, and community business organizations. Flyers and posters appear in Chinese, Spanish, and Korean, as well as in English.

In addition, the Plan includes print ads in real estate publications, on-line advertising and cooperative efforts with the NYC Real Estate Board promoting the SFARG Program. ESDC and EDC staff coordinate speaking engagements at community organizations and business groups in Lower Manhattan to promote the disaster recovery programs and distribute applications and program materials. Press releases are provided to encourage the media to promote the recovery programs as well.

The Business Information Program has made a substantial effort at providing disaster recovery program information. The strategy outlined in the WTC Business Recovery Marketing Plan gives solid direction to the on-going marketing efforts that will be necessary as the recovery effort progresses. Given the volume of calls, web site hits, downloading of applications and program materials, and visits to the walk-in centers, BIP has made progress in reaching many of the targeted small businesses in Lower Manhattan.

While \$2 million has been allocated and encumbered for the WTC Business Recovery Marketing Plan, as of June 30, 2002, a total of \$25,524 has been drawn down from the initial federal appropriation. This latter amount was drawn from the \$14 million allocation to Administration. Future drawdowns will be made from the \$5 million allocation to the Business Information Program.

Additional Compensation to Lower Manhattan Businesses (BRG2)

Funds	
Total Projected Budget	\$5,000,000
Total HUD Recovery Funds	\$5,000,000
Obligated HUD Recovery Funds to June 30	\$367,155
Unobligated HUD Recovery Funds to June 30	\$4,632,845
Cumulative HUD Recovery Funds Expended to June 30	\$367,155

Accomplishment Measures	Expected	Cumulative to Date
# of Low/Mod Wage Earners & Proprietors	NA	97
# of Low-Income Wage Earners & Proprietors (subset of Low/Mod)	NA	31
# Wage Earners/Proprietors	NA	157
# of Businesses	NA	4

This program, while targeting businesses employing more than 500 people nationwide but fewer than 200 in one or more establishments on or south of 14th Street, offers assistance on the same terms and conditions as the WTC Business Recovery Grant Program. As of June 30, 2002, the Additional Compensation to Lower Manhattan Businesses Program (BRG2) had assisted 4 businesses, some with multiple establishments in Lower Manhattan, providing 6 grants totaling \$517,155 in program funds disbursed. The average grant size for this program for the period was \$86,193, with the median for grants disbursed at \$25,990. The total value of grants disbursed for the period represents 10% of the \$5 million allocated to the BRG2 Program.

Total direct employment at BRG2-assisted establishments in the eligible area during this period was 157, with an average number of 26 employees per grant recipient. Sixty-two percent of total employment at assisted establishments (or 97 wage earners and proprietors) were low- and moderate-income earners (defined as annual income up to \$50,250). Low-income earners (defined as less than \$31,400 per annum) reflected almost 20% of total employment (or 31 wage earners and proprietors).

If performance measures are viewed by sub-areas within the eligible area, then most of the BRG2 Program grants went to eligible grant recipients in the Restricted Zone and the area surrounding it south of Canal Street. These two areas are closest to Ground Zero where businesses suffered extensive economic dislocation. A total of 5 grants were disbursed to businesses in these two areas, with a value of \$512,413, or 99% of the total program funds disbursed. Total employment at BRG2 grant recipients in the Restricted Zone and South of Canal Areas was 150, or 95.5%, of the program total. Of these, 90 (or 57%) were low- and moderate- income earners, while 26 (or 16.5%) were low-income earners.

The BRG2 Program has helped to retain almost 8% of the estimated 2,000 jobs at potentially eligible businesses in Lower Manhattan. Its progress complements the achievements of the main Business Recovery Grant Program and should be viewed in this overall context. Together, these programs have provided grants to those small businesses that have suffered substantial economic dislocation or physical damage.

Technical Assistance Services Grant Program (TA)

Funds	
Total Projected Budget	\$5,000,000
Total HUD Recovery Funds	\$5,000,000
Obligated HUD Recovery Funds to June 30	\$ 0
Unobligated HUD Recovery Funds to June 30	\$5,000,000
Cumulative HUD Recovery Funds Expended to June 30	\$0

On April 15, 2002, a Request for Proposals for the Technical Assistance Services Grant Program (TA) was distributed to local development organizations in the New York City metropolitan area and published in the *New York State Contract Reporter*. A total of 64 proposals were submitted by 57 organizations by the response deadline of May 15, 2002. An internal review team of five Empire State Development Corporation (ESDC) staff members evaluated each proposal on the basis of established criteria including, but not limited to, targeted types of businesses; types of services offered; location and method of service delivery; experience and qualifications of service providers; project budget; and organizational background of service provider.

On July 24, 2002, ESDC, in cooperation with the New York City Economic Development Corporation, announced the selection of 23 community-based and service organizations to assist New York State and New York City in implementing this program. These organizations will offer a broad range of technical assistance services to small businesses in Lower Manhattan including financial and technical assistance, accounting and legal assistance, training and counseling for women-owned firms, marketing and disaster recovery seminars, business assistance for not-for-profits, business and marketing initiatives for software and IT small businesses, and other technical assistance targeting a range of small businesses and locations in Lower Manhattan. The grant recipients selected to participate in the Technical Assistance Services Grant Program are the following:

- ACCION NY
- Alliance for Downtown New York
- American Management Association
- Asian American Business Development Center
- American Women's Economic Development Corp.
- Asian Women in Business
- Business Outreach Center (all Lower Manhattan)
- Business Outreach Center (Chinatown)
- C.W. Shaver & Company
- Greater Blouse, Skirt, & Undergarment Association
- LifePal Business Network
- Lower East Side Business Improvement District
- MBAs4NYC
- New York Software Industry Association
- Nonprofit Finance Fund
- NYPIRG's Community Mapping Assistance Project
- Renaissance Economic Development Corporation
- ReStart Central II/CUNY
- SeedCo
- TenantWise.com
- TriBeCa Organization
- Wall Street Rising
- Women's Venture Fund

WTC Disaster Recovery Bridge Loan Program (BRIDGE)

Funds	
Total Projected Budget	\$15,000,000
Total HUD Recovery Funds	\$15,000,000
Obligated HUD Recovery Funds to June 30	\$5,925,776
Unobligated HUD Recovery Funds to June 30	\$9,074,224
Cumulative HUD Recovery Funds Expended to June 30	\$0

As of June 30, 2002, the WTC Disaster Recovery Bridge Loan Program (BRIDGE) had enabled the participating banks and Community Development Financial Institutions (CDFIs) to enroll a total of 883 loans in the program with a total loan value of \$29,905,394. The overall average loan size was \$33,868, with a median of \$20,000. The most frequent size of loan enrolled in the program was also \$20,000. Empire State Development Corporation (ESDC) and the New York City Economic Development Corporation (EDC) contributed 20% (10% each) of the total loan value to the loan loss reserve fund. Total reserve funds were \$5,925,776. (This reserve fund total is slightly less than 20% of the value of enrolled loans. This reflects the fact that some CDFIs enrolled loans greater than the \$50,000 maximum amount set by the program Guidelines. The program would only contribute up to \$10,000 when these larger loans were enrolled.) Overall employment at businesses assisted by the BRIDGE program was approximately 5,151.

Participating banks enrolled 596 loans, or two-thirds of the program total. The total loan value of loans enrolled by banks was \$25,308,654 (or 85%). The average size loan enrolled by banks was \$42,464. The participating CDFIs enrolled 287 loans with a total value of \$4,596,740, and an average loan size of \$16,300.

If lending is viewed by borough, then clearly most loans were made to businesses located in the areas most directly affected by the disaster. Loans obtained by borrowers in Manhattan totaled 565 (or 64%) with a total value of \$23,138,920 (or 77% of the program total). One hundred businesses located in Queens received \$2,996,400 in loans, while 74 Brooklyn businesses obtained loans valued at \$2,399,600. Businesses in the Bronx and Staten Island received 34 and 12 loans, respectively, with a total value of \$1,183,474.

In the early months following the attacks on the World Trade Center, many small businesses in New York City suffered serious economic dislocation and faced an urgent need to access capital to cover revenue shortfalls, operating expenses, physical damage and clean-up costs. Loans offered through the Small Business Administration (SBA) helped to meet these needs, but the lengthy process involved in obtaining an SBA loan required some method of gap financing. The BRIDGE Program filled this gap by offering interim financing for businesses that were in the process of applying for an SBA loan and waiting for a determination.

The participation of both larger commercial banks and community-based lenders ensured that a sufficiently large pool of low-cost capital would be available to meet the needs of borrowers. The loan loss reserve fund capitalized with a total of \$50 million by ESDC and EDC leveraged a roughly \$250 million lending pool for this program. By including both large commercial banks and the community-based lenders, the program ensured that a wide range of borrowers with very diverse credit needs could be assisted. By allowing lenders to originate, process and administer their own loan portfolios, borrowers were assured a much shorter time to disbursement of loans.

Supplementary Data

Database copy. ESDC provided HUD a copy of its grant management database for the period from the start of grant activities until June 30. These data represent information down to the applicant level and include topics not covered in DRGR reports, such as race and ethnicity information for direct benefit activities, and North American Industrial Classification System (NAICS) code information for assisted businesses. HUD program staff will use this information as a remote monitoring tool.

Jobs. ESDC is carrying out all its activities under the “Urgent Need” national objective of the CDBG program. This means program rules do not require that business assistance activities result in the creation or retention of jobs for low- and moderate-income persons. To provide a measure of performance resulting from economic development activities, ESDC still collects and reports data on jobs assisted, including information on the salaries earned in jobs created or retained as a result of the grants.

In published waivers and alternative requirements, HUD eased income-reporting requirements to allow ESDC to collect job data based on the “wage band” of individuals hired rather than based on the income status of the entire household. (The latter approach is used throughout the regular CDBG program.) ESDC used HUD’s section 8 family income limits for New York City to set the salary range limits for wage bands called “low”, for earning levels at or below the limit for families earning 50% of median income, “moderate”, for earning levels at or below the limit for families earning 80% of median income, and “Above moderate”, for earning levels above the 80% limit.

This modified income collection method cannot be directly compared with other CDBG and HUD income data based on household and family income. Obviously, some of the jobs created by ESDC and reported in *low* or *moderate* categories could be held by people whose households include another wage earner with a significantly higher income. Still, and unexpectedly, the data do show the BRG program resulting in a significant amount of job creation and retention activity in the lowest income-earning categories. This point is significant because it means the BRG program is assisting at least some of the populations that HUD’s experience with disaster recovery shows have the greatest difficulty recovering from the economic effects of disasters.